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April 2, 2004

VIA HAND DELIVERY

David S. Rosenzweig
Keegan Werlin & Pabian, LLP
265 Franklin Street, 6th Floor
Boston, MA 02110

Re: NSTAR Electric D.T.E. 03-121

Dear Mr. Rosenzweig:

Enclosed please find the responses of the Energy Consortium to NSTAR Electric's First and Second Sets of Information Requests in the above captioned matter.

If you have any questions, please contact me.

Sincerely,

Robert M. Granger

RMG:nbc
Enclosures

cc: Mary Cottrell (by hand)
William Stevens, Hearing Officer (by hand)
John Cope-Flanagan (by hand)
Sean Hanley (by hand)
Claude Francisco (by hand)
Xuan Yu (by hand)
Robert Harrold (by hand)
Service List (by mail)

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COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Information Request NSTAR-TEC 1-1

Please provide copies of (1) any and all prefiled testimony or reports (including all associated exhibits and attachments) submitted by Ms. Saunders to state and federal regulatory authorities from 1999 to the present; and (2) any and all transcripts of Ms. Saunders' testimony at hearings (adjudicatory or non-adjudicatory) before state and federal regulatory authorities from 1999 to the present.

Response:

Please see Attachments NSTAR-TEC 1-1(a) through (e) for copies of the requested testimony including exhibits and attachments. Transcripts are not in Ms. Saunders's possession and are not available on the internet.

NSTAR Electric
Department of Telecommunications and Energy
D.T.E. 03-121
Information Request: NSTAR-TEC 1-2
April 2, 2004
Person Responsible: Elaine Saunders

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Information Request NSTAR-TEC 1-2

Provide copies of any and all regulatory decisions addressing the issues covered by Ms. Saunders in testimony provided in response to Information Request NSTAR-TEC-1-1. Identify the decision making authority, docket number, year of the decision, and any official citation to the decision.

Response:

Ms. Saunders does not have in her possession copies of the requested regulatory decisions. An electronic version of the decision in Vermont Public Service Board, Docket 6750 was obtained from the Vermont Public Service Board's website and is attached as Attachment NSTAR-TEC 1-2.

NSTAR Electric
Department of Telecommunications and Energy
D.T.E. 03-121
Information Request: NSTAR-TEC 1-3
April 2, 2004
Person Responsible: Elaine Saunders

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Information Request NSTAR-TEC 1-3

Please identify all documents relied upon by Ms. Saunders in preparing this testimony. Please provide a copy of each identified document.

Response:

Ms. Saunders relied on a hard copy of Boston Edison's allocated cost of service and marginal cost of service studies from DPU 92-92. See NStar's responses to DTE 2-23 and 2-25. Ms. Saunders also relied on a copy of Boston Edison's 1998 FERC Form 1.

NSTAR Electric
Department of Telecommunications and Energy
D.T.E. 03-121
Information Request: NSTAR-TEC 1-4
April 2, 2004
Person Responsible: Elaine Saunders

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Information Request NSTAR-TEC 1-4

Please provide a copy of any and all articles, papers, speeches or other reports prepared in whole or in part by Ms. Saunders addressing, distributed generation, standby rates and/or rate design

Response:

Ms. Saunders has not prepared any speeches, articles or papers regarding distributed generation, standby rates and/or rate design.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Information Request NSTAR-TEC 1-5

Referring to page 2, lines 6-8, please provide a copy of all studies, reports or analyses performed by Ms. Saunders that support her conclusion that costs incurred relative to electric distribution systems are not predominantly fixed.

Response:

In his testimony, Mr. LaMontagne uses the word "fixed" in two contexts, rate design and cost recovery. First, on page 14 he discusses the longstanding Department ratemaking policy of identifying costs as fixed or variable, and collecting fixed costs through fixed customer charges. I agree with this assessment, and note that variable costs are further identified as energy- or demand-related and typically collected through energy and demand charges, where feasible. In my testimony on page 8, I further note that in this context most categories of distribution (with a few exceptions such as meters and services), are assumed to vary with demand in Boston Edison's allocated cost of service study in DPU 92-92 (see NStar's response to DTE 2-25 for the study). I did not have copies of any other cost studies when I wrote my testimony, but I am not aware of any rate proceeding in which the Department approved an allocation methodology treating all distribution costs as fixed in this context, and allocating them on the basis of the number of customers.

The second context of the word "fixed" in Mr. LaMontagne's testimony is on pages 14 and 15. On page 14 he says "if distribution lines are constructed to serve customers, and the cost of such wires is fixed once they are purchased and constructed". On page 15 he says "the costs associated with the construction of properly-sized distribution systems are fixed once they are built". In this context, he is using the term "fixed" as sunk or embedded accounting costs. In practice, embedded costs are collected via reconciled special charges, or generally available rates developed to collect an approved revenue requirement. See the response to NSTAR-TEC-2-2 for further comments on ratemaking practices.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Information Request NSTAR-TEC 1-6

Referring to the table on page 4, please provide a copy of all calculations, workpapers, spreadsheets or other documents that show each calculation that resulted in the values set forth in the table. The copy should be provided both in paper form and electronically. The electronic version should be in Excel format and show all inputs, formulas and linked sources.

Response:

See Attachment NSTAR-TEC 1-6. Ms. Saunders retained only a hard copy of the data and does not have an electronic version.

NSTAR Electric
Department of Telecommunications and Energy
D.T.E. 03-121
Information Request: NSTAR-TEC 1-7
April 2, 2004
Person Responsible: Elaine Saunders

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Information Request NSTAR-TEC 1-7

Referring to page 7, lines 5-7, would Ms. Saunders' statement that "the aggregated load is highly diverse" be affected by the size of the load of a DG customer on a circuit? Please explain.

Response:

Yes, one very large generator may overwhelm the rest of the group. But as I noted on page 5 of my testimony, NStar has treated customers with very large generators (MWRA, the MBTA, MIT) as special cases. Of the 16 customers with generation out of a total of approximately 2,900 customer identified in NStar's Response to TEC-2-1, the largest generator is MIT (22,500 kW) which is served on Cambridge's Rates SB-1, SS-1 and MS-1, not G-3 or G-2.

Of the remaining 15 customers with generation totaling 5,435 kW, the largest is 1,800 kW and the average is approximately 360 kW.

NSTAR Electric
Department of Telecommunications and Energy
D.T.E. 03-121
Information Request: NSTAR-TEC 1-8
April 2, 2004
Person Responsible: Elaine Saunders

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Information Request NSTAR-TEC 1-8

Referring to page 7, lines 5-9, please provide any studies performed by Ms. Saunders or TEC that identify the degree diversity of load at the distribution circuit level exists for Boston Edison, Cambridge and/or Commonwealth

Response:

Neither Ms. Saunders nor TEC has any studies regarding the diversity of load at the distribution circuit level.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Information Request NSTAR-TEC 1-9

Referring to page 8, lines 8-14, please explain in detail whether Ms. Saunders believes there are different distribution facilities involved in meeting a customer's load requirements in relation to: (a) distribution facilities that are subject to a distribution company's line extension policy (and a potential contribution in aid of construction); and (b) other distribution facilities that are needed to meet the customer's load requirements throughout the distribution system.

Response:

I am aware of instances in which unique distribution facilities or circumstances (such as MWRA's $200,000 meter at K-Street or the $40 million sub-marine cable) are assigned directly to the customer. For non-unique types of distribution facilities, it is my understanding that the determination of how much a customer has to pay upfront is based on expected revenue, not the type of facilities.

NSTAR Electric
Department of Telecommunications and Energy
D.T.E. 03-121
Information Request: NSTAR-TEC 2-1
April 2, 2004
Person Responsible: Elaine Saunders

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Information Request NSTAR-TEC 2-1

Referring to page 9, lines 1-5, please identify what technologies of generation are being assumed when Ms. Saunders states her expectation that backup loads will have a high degree of diversity. Is Ms. Saunders assuming that, for the purpose of this expectation, backup loads are used for planned and unplanned maintenance only and not for economic reasons (e.g., production cost for the DG is above the cost at which it can purchase power)? Please explain.

Response:

I assumed that there are two types of customer owned and operated generation. One is self-generation that is fully available and can be dispatched as needed by the customer. The other is co-generation, where the generation is tied to another process, such as the capture of steam produced for other purposes, and so is available only when the steam is needed. In both cases, the customer's normal operating procedures can be disrupted by planned or unplanned outages, when the utility may provide backup power for the customer. As I noted in testimony, I do not have any data on this, but I expect that outages would not be coincident across a group of customers with generation.

If the customer normally shuts down its generation to take advantage lower cost purchased power, then I would expect this to occur in the off-peak periods and not coincident with the utility's peak.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Information Request NSTAR-TEC 2-2

Referring to page 10, lines 1-2, is it Ms. Saunders' position that standby rates should be designed to recover marginal cost rather than embedded costs? Is it Ms. Saunders' position that rates to all customer classes should also designed to recover marginal cost rather than embedded costs? Please explain.

Response:

My position is that as far as practicable, rate design should reflect marginal cost. Of course, there are other considerations, especially since the Department's practice has been that the rates must be trued-up to the embedded revenue requirement.

For example, the rate design for Boston Edison's Rates T-2 and G-3 was developed in DPU 92-92. The derivation of Rates T-2 and G-3 are shown in NStar's response to NEDGC 1-2 (d) (Supp), pp. 57 and 59, respectively. The demand charges are based on the marginal cost of generation, transmission and distribution. By dividing the marginal revenue (lines 17 to 19) by the billing determinants (line 8), the resulting demand charges are shown in the following table:

	G-3 Winter	G-3 Summer	Weighted Average
Distribution	**3.68**	**5.29**	**4.22**
Transmission	1.46	3.61	2.18
Generation	4.69	11.64	7.01
Total	9.83	20.54	13.40

	T-2 Winter	T-2 Summer	Weighted Average
Distribution	**5.71**	**8.96**	**6.79**
Transmission	1.36	3.69	2.14
Generation	4.37	11.88	6.88
Total	11.45	24.52	15.81

After the marginal customer, demand and energy revenues were calculated, the rates were trued-up to the allowed embedded revenue requirement by adjusting the customer and energy charges (see NEDGC 1-2(d) (Supp), pp. 58, 60 and 61). The idea was to leave intact the marginal demand charges so that customers receive the appropriate price signal of the cost of additional loads on the system. In DPU 92-92, the marginal distribution cost was higher than the embedded distribution cost. This was offset by the reverse situation for generation, where marginal generation costs were lower than embedded generation costs.

In contrast, the current distribution demand charges (and the proposed standby charges for the customer's Contract Demand) are significantly higher than the distribution components highlighted above:

	Winter	Summer	Weighted Average
G-3 Distribution	5.58	11.66	7.61
T-2 Distribution	8.18	17.51	11.29

The rates developed in DPU 92-92 were the starting point for Boston Edison's current rates. While I am not familiar with every aspect of the rate changes in the transition period, the distribution charge was calculated initially as a residual in the rate unbundling process. Boston Edison's July 1997 Settlement Agreement in DPU Docket Nos. 96-100 and 96-23 states, at pages 75 and 76, that the total dollar test year revenue for Transmission, Access, and Generation Charges were first determined. "The only remaining component, Distribution, is the difference between the 1998 target revenue levels and the sum of the revenues from the above specified components." Further, NStar has not performed a cost study since the DPU 92-92 rates were adjudicated, so the revenue requirement and distribution charges have been administratively determined throughout the transition period.

As I noted on page 9 of my testimony, the distribution rates now in effect may not reflect the Company's current marginal or embedded cost.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Boston Edison Company Cambridge Electric Light Company Commonwealth Electric Company d/b/a NSTAR Electric	)	D.T.E. 03-121

CERTIFICATE OF SERVICE

I certify that I have this day served the foregoing Responses of the Energy Consortium to the First and Second Sets of Information Requests of NSTAR Electric upon all parties of record in this proceeding in accordance with the in accordance with the requirements of 220 C.M.R. 1.05(1) (Department's Rules of Practice and Procedure.)

Dated at Boston, this 2nd day of April, 2004,

Robert M. Granger
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125 High Street
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(617) 737-1800

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